Weekly Economic Review

Population growth slows

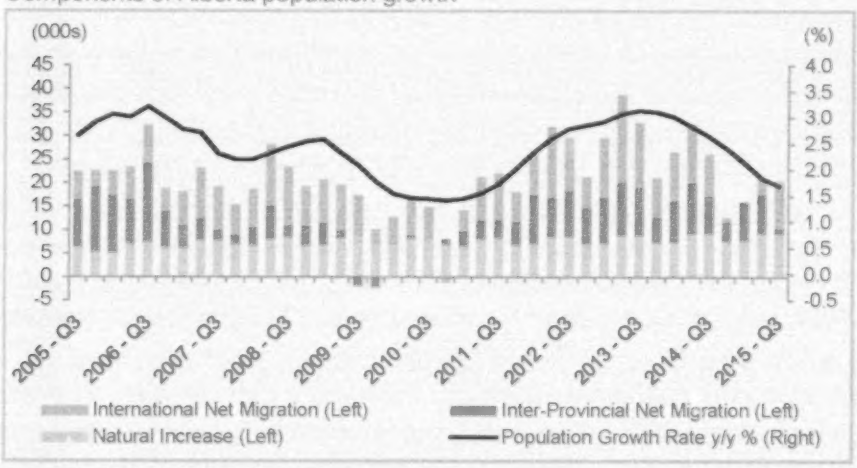
Population

Interprovincial migration reacting to weakening economy

As of October 1, 2015, Alberta's total population was estimated at 4,216,875, up 1.7% from a year earlier. Alberta continued to lead the provinces in population growth, though it was the province's weakest third quarter population increase since 2010 (Chart 1). In the third quarter, net interprovincial migration fell substantially to 1,234. Despite a net outflow of 2,406 non-permanent residents, international migration increased by 9,998, supported by record levels of immigration. The population of Canada grew by 0.9% y/y in the third quarter, the slowest pace of growth since the late 1990s.

Chart 1: Slowing interprovincial migration weighs on population growth

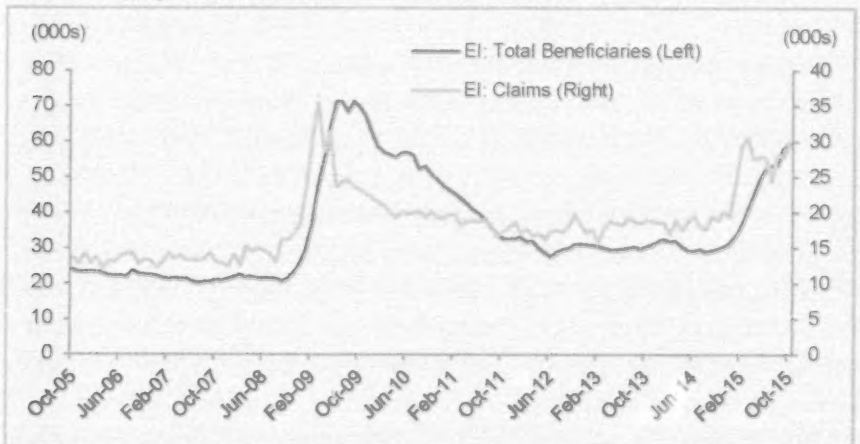
Components of Alberta population growth



Source: Statistics Canada

Chart 2: EI beneficiaries at highest level since late-2009

Alberta employment insurance beneficiaries and claims



Source: Statistics Canada

Consumer Price Index

Imports drive up prices

The Alberta Consumer Price Index (CPI) rose 2.0% y/y in November, the largest price increase in 12 months. The lower Canadian dollar continues to put upward pressure on the price of imported goods. The price of durable goods, including appliances, were up 3.2% y/y, while the price of semi-durable goods, including clothing, increased 2.7% y/y. Food prices were up 3.4% y/y. In contrast, energy prices (electricity, gasoline, and natural gas) continue to limit inflation. Excluding energy, inflation was up 2.7% y/y.

Employment Insurance

No letup in lay-offs

There was no respite in layoffs for Albertans, as the number of new Employment Insurance (EI) claims increased 7.6% m/m in October. This pushed up the number of Albertans receiving regular EI benefits in October to just under 60,000, around the level of regular EI beneficiaries at the end of 2009. The number of Albertans receiving regular EI benefits has more than doubled from a year prior. Beneficiaries were concentrated in Calgary and Edmonton, which account for 65% of Alberta beneficiaries. Albertans working in trades, transportation and equipment operator occupations accounted for 41% of beneficiaries, followed by those working in business, finance and administrative occupations which make up nearly 13% of beneficiaries.

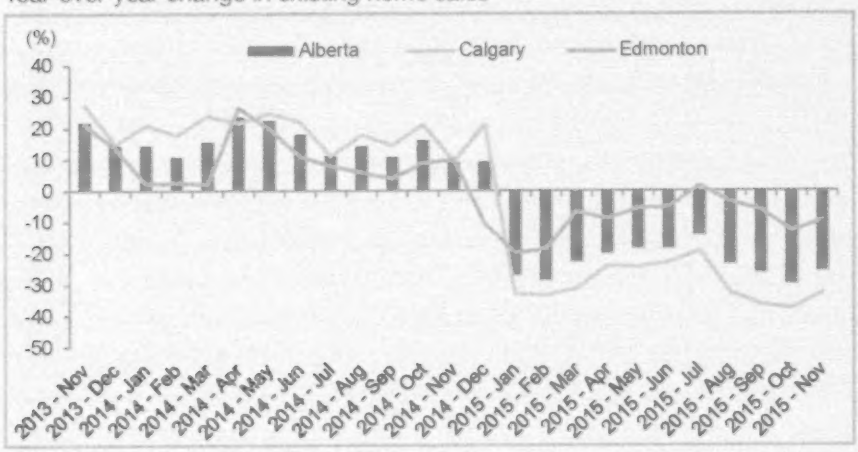
Resale Housing

Sales unchanged as new listings rise

The Alberta resale housing market remained weak in November with sales nearly unchanged from the previous month at 4,662, but down 26% y/y. In contrast, new listings surged 9.1% m/m to 9,889, or 2.0% compared to the previous year. Calgary and Edmonton both experienced a spike in new listings. The tepid pace of sales and the uptick in listings pushed the sales-to-new listings ratio down to 47.1%. The average resale price for in Alberta was down 5.2% y/y in November, the biggest annual drop since May 2009.

Chart 3: Alberta's resale housing market remains weak

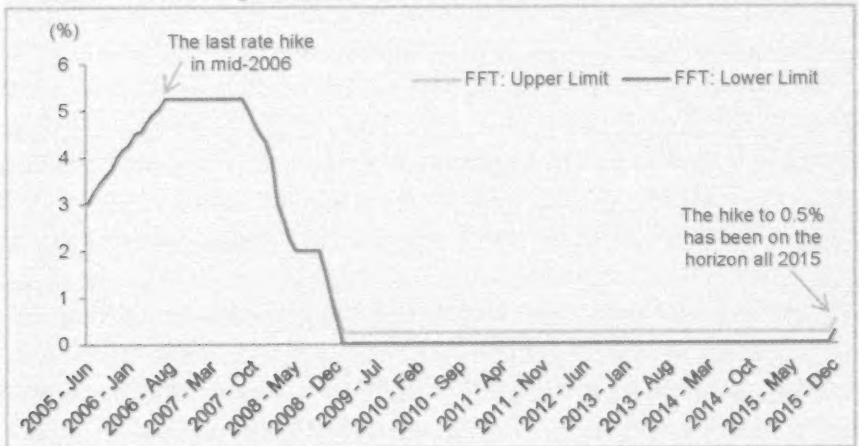
Year-over-year change in existing home sales



Source: Canadian Real Estate Association

Chart 4: US Fed enacts first interest rate hike in nearly a decade

US Federal Funds Target Rate



Source: US Federal Reserve Board

Manufacturing

Manufacturers still struggling

Alberta manufacturers continue to struggle as shipments weakened further in October, down 18% y/y. Petroleum and coal products remained the main source of weakness, shrinking for a fourth straight month. Compared to October 2014, petroleum and coal products shipments were down 38% due to lower prices and decreased refinery production. Even excluding petroleum and coal, manufacturing sales were generally weak, down 10% y/y. As energy producers in Canada and the US reduce expenses, equipment investment has waned and contributed to a 38% y/y drop in machinery manufacturing. Year-to-date manufacturing sales are down 13%, led by a 36% decline in petroleum and coal sales.

US Federal Reserve

First hike since Great Recession

The US Federal Reserve announced its first interest rate increase since July 2006, raising the target rate by 0.25 percentage points to 0.25% - 0.5%. The Fed also underscored that further increases would be incremental, cautious and reflect contemporary conditions in the US economy. Consumer spending, housing market activity and business investment were noted to be improving while net exports was still weak in the Fed's view. The Fed also pointed out that the US labour market has strengthened over the past year but some resources remain underutilized. Weak inflation owing to a strong US dollar and low energy prices was also a concern, but the Fed expects that inflation will converge towards its 2% target over the medium-term.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.